

Exhibit No.:
Issue: Policy
Witness: Chris B. Giles
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: ER-2009-0090
Date Testimony Prepared: April 9, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0090

SURREBUTTAL TESTIMONY

OF

CHRIS B. GILES

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
April 2009**

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Case No. ER-2009-0090

1 **Q: Are you the same Chris B. Giles who previously submitted pre-filed testimony in**
2 **this case on behalf of KCP&L Greater Missouri Operations Company (“GMO” or**
3 **the “Company”)?**

4 **A: Yes, I am.**

5 **Q: What is the purpose of your Surrebuttal Testimony?**

6 **A: The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of Mr.**
7 **Hyneman related to inclusion of the Crossroads Energy Center (“Crossroads”) in rate base**
8 **in this proceeding. I also respond to the Rebuttal Testimony of Office of Public Counsel**
9 **witness Russell Trippensee concerning the Company’s recovery of its rate case expense.**

10 **CROSSROADS**

11 **Q: What is Mr. Hyneman’s recommendation concerning the inclusion of Crossroads in**
12 **rate base?**

13 **A: Mr. Hyneman rejects the inclusion of Crossroads in rate base and instead recommends**
14 **the Commission adopt some fictional scenario related to Staff’s belief that the former**
15 **Aquila made an imprudent decision prior to Aquila’s 2005 rate case No. ER-2005-0436.**

16 **Q: Please explain your understanding of Mr. Hyneman’s position on the inclusion of**
17 **Crossroads in rate base?**

1 A: Mr. Hyneman on behalf of Staff indicates that Staff recommended in both Case No. ER-
2 2005-0436 and Case No. ER-2007-0004 that the Commission adopt fictional costs related
3 to two fictional CT's at the South Harper site. Mr. Hyneman represents that such
4 fictional costs should also be included in the Company's rate base in this proceeding.

5 **Q: Did the Commission order such treatment in either Case No. ER-2005-0436 or Case**
6 **No. ER-2007-0004?**

7 A: No, it did not.

8 **Q: Was this issue litigated in either of those cases?**

9 A: No, it was not.

10 **Q: Do you believe it appropriate for Staff to recommend fictional costs and fictional**
11 **generation capacity in this case based on an issue that relates to a decision made by**
12 **the former Aquila entity prior to 2005?**

13 A: Absolutely not. If this issue was of such importance or the Staff's argument so
14 compelling this issue should have been litigated and adjudicated by the Commission in
15 the 2005 Aquila rate case. GMO needs peaking capacity; the most economical capacity is
16 Crossroads. KCP&L witnesses Mr. Burton Crawford and Mr. Davis Rooney testify to
17 this fact. It is beyond comprehension that Staff would take a position to create in this
18 case fictional costs and "phantom" generating units, post acquisition of Aquila by Great
19 Plains Energy, related to a contention by Staff that occurred over five years ago that was
20 never litigated, or otherwise pursued to resolution by Staff and never adjudicated by the
21 Commission.

1 **Q: Did the Staff propose any condition or did the Commission impose any condition**
2 **regarding capacity decisions of the former Aquila in the acquisition of Aquila by**
3 **Great Plains Energy Case No. EM-2007-0374?**

4 A: No. Staff did not propose any conditions related to capacity decisions of the former
5 Aquila. Nor did the Commission impose any.

6 **Q: Does Mr. Hyneman have other positions on this matter you disagree with.**

7 A: Yes, two, first Mr. Hyneman indicates that the market value used to compare to book cost
8 for Crossroads is overstated. I do not agree with Mr. Hyneman. His position is based on
9 preliminary market value estimates published during the period in 2007. Mr. Hyneman
10 erroneously assumes market values are independent of location or timeframe.

11 **Q: Please elaborate.**

12 A: Crossroads is located in Mississippi. At the time the estimate Mr. Hyneman refers to was
13 provided it was based on a market value for power in Mississippi and in 2007. The proper
14 value of Crossroads is what would it cost GMO to acquire capacity today for GMO
15 customers. As Mr. Crawford testifies, the alternative to Crossroads is higher than the
16 book value of Crossroads. Should the Commission adopt Staffs position, GMO would
17 have no choice but to purchase or build higher cost capacity. Obviously, the market
18 value for Crossroads is what it would cost to not utilize Crossroads.

19 **Q: What else does Mr. Hyneman propose related to Crossroads?**

20 A: Mr. Hyneman proposes that deferred taxes accumulated during the time the plant was a
21 merchant plant be an offset to the book cost of Crossroads. I am not a deferred tax expert.
22 KCP&L witness Melissa Hardesty will address this issue.

1 **RATE CASE EXPENSES**

2 **Q: Mr. Trippensee suggests that utilities should not be able to include their rate case**
3 **expenses in rates. Do you agree with that recommendation?**

4 A: No, I do not. Mr. Trippensee bases his recommendation on the very narrow view that
5 rate cases that result in rate increases only benefit the utility's shareholders by increasing
6 earnings. First, I would point out that an authorized revenue requirement merely gives
7 the utility an opportunity to earn a return on its investments. Increased rates do not
8 necessarily mean higher earnings for shareholders. More to the point, customers
9 definitely have an interest in ensuring that their utilities' rates are just and reasonable,
10 which is the ultimate objective of any rate case, whether it results in an increase or
11 decrease in a given utility's rates. It is for this reason that I am unaware of an instance in
12 which the Commission has prohibited a utility from including its prudently incurred rate
13 case expenses in rates.

14 **Q: Does Mr. Trippensee allege or suggest that any specific rate case expenses incurred**
15 **by the Company were not prudently incurred?**

16 A: No, he does not. He proposes to disallow all of the Company's rate case expenses
17 without any allegations or suggestions of imprudence. It appears Mr. Trippensee is
18 attempting to establish a new policy concerning the recovery of rate case expenses on a
19 generic basis. The Commission should reject his proposal.

20 **Q: Does that conclude your testimony?**

21 A: Yes, it does.

